

LOCAL PENSIONS BOARD – 22 MARCH 2024

Report of the Director of Finance

STAFFORDSHIRE PENSION FUND RISK REGISTER

Recommendations of the Chairman

1. That the Local Pensions Board ('Board') notes the risks, relating to Investment from the current Staffordshire Pension Fund Risk Register, as presented in Appendix 1.

Background

2. At their meeting in June 2023, the Pensions Committee noted the high-level risks identified within the Staffordshire Pension Fund Risk Register. The Committee also asked the Board to continue to undertake a regular detailed review of the risks identified and the process for maintaining the Risk Register, and report back to the Committee on any areas of concern.
3. To assist with their review, the Board requested that one of the four main risk areas (Governance, Funding, Administration, and Investment), be presented to them at each meeting, for their consideration. This was to align with the risk area considered by the Officer working group that quarter.
4. Board members have joined the Assistant Director for Treasury & Pensions and Senior Pensions and Investment Officers, forming the Officer working group, on a quarterly basis. Working through the detail of the individual risks, they collectively determine individual risk scores by considering the potential impact any one risk might have, together with the likelihood of that risk occurring. Members of the Board are invited to continue to attend these working groups if they so wish.
5. At a meeting on 22 February 2024, the Officer working group, together with a member of the Local Pensions Board, reviewed the risk area of Investments. Pre and post control ratings were re-assessed, considering any new controls or sources of assurance. New areas of potential risk were also considered. Post control, Fund Officers believe there are two areas of high risk and 14 areas of medium risk.
6. The two areas of high risk relate to the risk of the costs of LGPS Central Limited being too high and impacting on the overall returns to the Fund from pooling as well as the forecast savings not being achieved. Any above inflationary increases to the LGPS Central budget also present a risk to the Fund.
7. The 14 areas of medium risk relate to several matters including:
 - i) The due diligence process around manager selection, ensuring managers in the same asset class are complementary and addressing the impact of manager correlation. This is particularly prominent as

LGPS Central are currently recruiting a fourth active equity manager into their Global Active Equities Fund.

- ii) The performance, reporting and understanding of reasons behind the performance of managers, including currency risks. The relative performance of active managers versus passive managers.
- iii) The risk of losing key personnel at either the Fund or LGPS Central Ltd and, as a result, the inability to deliver services as set out in the respective business plans.
- iv) Impact of regulatory change (DLUCH - LGPS: Next steps on investments) and concentration risks from increased pooling of assets. Along with the associated transition risks as more assets are transferred into the pool.

8. The full list of the current Investment risks is presented in Appendix 1 for the Board to discuss and / or note at today's meeting.

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Equalities implications: There are no direct implications arising from this report.

Legal implications: There are no direct legal implications arising from this report.

Resource and Value for money implications: The main resource implications have not been explicitly assessed but arise directly from either any mitigating actions or from the impact of the risk identified.

Risk implications: The main topic of this report is risk assessment and management.

Climate Change implications: There are no direct implications arising from this report.

Health impact assessment screening: There are no direct implications arising from this report.